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SENATE

REPORT
No. 97-460

PROVIDING FOR REINSTATEMENT AND VALIDATION OF U.S. OIL AND GAS LEASE NUMBERED W-24153

MAY 28, 1982.—Ordered to be printed
Filed under authority of the order of the Senate of May 12 (legislative day, May 11), 1982

Mr. MCCLURE, from the Committee on Energy and Natural Resources, submitted the following

REPORT

[To accompany S. 1909]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 1909) to provide for the reinstatement and validation of U.S. oil and gas lease numbered W-24153, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSES

The purpose of S. 1909 is to provide for the reinstatement and validation of U.S. oil and gas lease numbered W-24153.

BACKGROUND AND NEED

The bill reinstates and validates a noncompetitive oil and gas lease of the Devon and Eason Oil Companies which was terminated under section 17 of the Mineral Lands Leasing Act of 1920 (30 U.S.C. 226). This section provides that a Federal noncompetitive oil and gas lease will be issued for a primary term of only ten years. Any actual drilling operations were commenced prior to the end of its primary term and are being diligently prosecuted at that time shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities.

The Federal oil and gas lease W-24153 covering the East one-half of Section 26, T.20 N., R.112W., 6th Principal Meridian, located in Sweetwater County, Wyoming was issued on June 1, 1970 for a primary term of ten years to Devon and Eason oil companies, with each company

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being assigned a 50-percent working interest in the lease. A lease on the west one-half of section 26 had been issued to Tenneco.

Lessees were unable to obtain a permit to drill from the State of Wyoming because of a State spacing order that allowed only one well in the southwest quarter of a 640-acre spacing unit which was leased by Tenneco. Lessees were unable to obtain an exception to the order.

By law lessees may unite with each other under a cooperative or unit plan of development or operation whenever determined by the Secretary of the Interior to be necessary or advisable in the public interest (30 U.S.C. 226(j)). Any operation, including drilling, on any part of a certified communitized field will be credited to all leases within such field for purposes of extending the primary lease term. A two-year extension to the lease was available as provided by the Mineral Lands Leasing Act if drilling was commenced prior to the end of the primary term and diligently prosecuted thereafter.

In September 1979, Tenneco agreed with lessees to participate in a test well which led to a communitization agreement being entered into on October 18, 1979 by Devon, Eason and Tenneco which covered all of Section 26.

Through an administrative oversight, the agreement was not filed with the United States Geological Survey, as is required by regulation.

Devon did apply to the U.S.G.S. for permission to drill a well in the southwest quarter of section 26, a portion of Tenneco's leasehold. The well was spudded on January 5, 1980, and was completed on July 20 prior to the May 31, 1980 lease termination date. The well has been producing slightly in excess of 2 million cubic feet of gas per day since April 1, 1981.

Devon submitted timely rental checks to the Bureau of Land Management on May 1 and May 20, 1980. The Wyoming State Office of the BLM refunded the payments and held that lease W–24153 had expired on May 31, 1980, because there had been no drilling on the leasehold that would make it eligible for extension and because it was not part of an approved communitization agreement. On August 25, 1981, the Interior Board of Land Appeals upheld the BLM Wyoming State office's decision.

The Committee considers reinstatement to be justified in this case for two related reasons. First, the failure to fill the communitization agreement was inadvertent, resulting from an administration oversight. Second, unless the lease is reinstated, lessees will be unable to realize the full benefits of its' investment efforts which have resulted in a significant gas find. Lessees by expending capital have developed a gas well producing slightly in excess of 2 million cubic feet of gas per day. Not reinstating the lease would result in economic waste and could result in physical waste of the resource. In light of these considerations, the Committee believes it would be inequitable not to allow the reinstatement of the oil and gas lease for failure to file the communitization agreement.

Legislative History

S. 1909 was introduced on December 3, 1981, by Mr. Nickles (for himself and Mr. Boren). A hearing was held by the Subcommittee on Energy and Mineral Resources of the Committee on Energy and Natural Resources to consider S. 1909. The bill was considered in an open business session on May 12, 1981.

Committee Recommendation and Tabulation of Votes

The Senate Committee on Energy and Natural Resources, in open business session on May 13, 1982, by a unanimous vote of a quorum present recommended that the Senate pass S. 1909, as described herein.

The rollcall vote on reporting the measure was 18 yeas and 0 nays as follows:

YEAS—18	NAYS—0
McClure	
Hatfield	
Weicker*	
Domenici*	
Wallop	
Warner	
Humphrey	
Murkowski*	
Nickles	
East*	
Heinz*	
Jackson*	
Johnston	
Bumpers*	
Ford	
Matsunaga	
Melcher	
Bradley	

*Indicates voted by proxy.

Cost and Budgetary Considerations

This measure is in the nature of private relief, however, the Committee feels that no significant cost or budgetary impact will result from its enactment.

Regulatory Impact Evaluation

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 1909. The bill is not a regulatory measure in the sense of imposing Government standards or significant economic responsibilities on private individuals or business. No personal information will be collected in administering the provisions of the bill. Therefore, it would not impact on personal privacy. Little, if any, additional paperwork would result from the enactment of S. 1909.

Executive Communications

The Subcommittee on Energy and Mineral Resources of the Committee on Energy and Natural Resources received testimony on May 7, 1981 from the Department of the Interior not objecting to the enactment of S. 1909. The testimony follows:

STATEMENT OF DAVID C. RUSSELL, DEPUTY ASSISTANT SECRETARY OF THE INTERIOR, LAND AND WATER RESOURCES, DEPARTMENT OF THE INTERIOR

I am pleased to appear here this morning to discuss S. 1909.

Under S. 1909, oil and gas lease W–24153 would be held not to have terminated by operation of law and would be deemed to have been communitized with another oil and gas lease on May 31, 1980. The lease would continue in full force and effect so long as oil or gas is produced in paying quantities from the lease unit. Within 60 days of enactment of S. 1909, the last recordholders of leases W–24153 and W–47820 (the other lease in the unit), would be required to file a communitization agreement with the Secretary who would be required to approve it retroactively to a date prior to May 31, 1980. Within 30 days of enactment of the bill, the Secretary would be required to notify the recordholder of lease W–24153, in writing, of the amount of any rental accrued to the United States under that lease and unpaid by the last recordholder. The recordholder of the lease would be required to tender payment of the accrued rental within 30 days of receipt of the notice.

We would not object to enactment of this bill.

Lease W–24153, a noncompetitive oil and gas lease, was issued for a ten-year term effective June 1, 1970, to Devon and Eason Oil Companies, with each company being assigned a 50 percent working interest in the lease. The lease covered the east one-half of section 26, township 20 north, Range 12 west, Sixth Principal Meridian. A lease on the west one-half of section 26 had been issued to Tenneco.

Devon was unable to obtain a permit to drill from the State of Wyoming because of a State spacing order that allowed only one well in the southwest quarter of a 640-acre spacing unit. Devon was not able to obtain an exception to the order. Devon also applied for a forced pooling order because Tenneco had declined to participate in the cost and expense of a test well. However, that application and the application for an exception to the spacing order were withdrawn in September 1979, when Tenneco agreed to participate in a test well.

Devon, Eason and Tenneco entered into a communitization agreement, dated October 18, 1979, covering all of section 26. Through an administrative oversight, the agreement was not filed with Geological Survey, as is required by regulation. Devon did apply to Geological Survey for permission to drill a well in the southwest quarter of section 26, a portion of Tenneco's leasehold. The application was approved on December 6, 1979.

The well was spudded on January 5, 1980, and was completed on July 20, 1980, as a gas well. The well is currently shut in awaiting pipeline construction.

Devon submitted rental checks to the Bureau of Land Management on May 1 and May 20, 1980. The Wyoming State Office refunded the payments and eventually held that lease W–24153 had expired on May 31, 1980, because there had been no drilling on the leasehold that would make it eligible for extension and because it was not part of an approved communitization agreement. An appeal was filed with the Interior Board of Land Appeals, which affirmed the Wyoming State Office's decision on August 25, 1981.

We have no objection to reinstatement of lease W–24153. Devon demonstrated an early and sincere effort to develop its leasehold. Although its initial intent to develop was delayed by Wyoming's spacing order, Devon persisted in its development efforts and succeeded in developing a producing well in cooperation with Tenneco. Although the operating agreement was not approved by Geological Survey, that failure appears to have been the result of an administrative error. We do not believe that an administrative oversight of this nature should be allowed to halt a clearly demonstrated intention to proceed with oil and gas production.

That concludes my statement. I will be happy to answer your questions on this bill.

Changes in Existing Law

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill S. 1909, as reported.

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